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SIPDIS

SENSITIVE

STATE FOR SENIOR ADVISOR TO THE PM A/S (PM/B) AND EUR/SE
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SUBJECT: 2004 REPORT TO CONGRESS ON TURKEY'S CONTRIBUTION
TO THE COMMON DEFENSE

REF: STATE 305999

(U) This message is Sensitive But Unclassified.

¶1. (U) This is Embassy Ankara's submission to the 2004 Report
to Congress on Allied Contributions to the Common Defense.

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General Assessment
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¶2. (SBU) In aiming to accelerate democratization, pursue its EU candidacy, revive the economy and tackle chronic corruption, the GOT adopted wide-ranging legislative reform packages in January and July 2003. The reforms were designed to: crack down on torture; expand freedom of expression, association, and religion; and reduce the role of the military in government. The July package included a number of changes to the NSC, including: allowing for a civilian to serve as NSC Secretary General; halving the number of regular NSC meetings, from one per month to one every two months; and limiting the NSC's authority to demand documents from other government agencies. There was discussion in Parliament of establishing greater transparency in the military budget process, but no such legislation was adopted.

¶3. (SBU) The Turkish military continues to support a military modernization program that should increase the capacity of Turkey to meet its NATO responsibilities. However, the GOT's ability to finance its military modernization program remains seriously hampered by the government's difficult financial situation, particularly an enormous public debt load that siphons off most revenue. Although the Turkish economy has been on an improving trend through most of 2003, even under the best of circumstances the government will have to live within a very tight budget for several years to maintain solvency. This has limited, and will continue to limit, funds available for new military spending. Since Turkey is poised to achieve real GNP growth of 5 percent in 2003, and is well positioned to maintain a strong growth rate in 2004, there may be room for some minor increases in force modernization spending, particularly if savings are realized from a shortened period of required military service. Embassy calculates 2003 defense spending -- including Gendarmerie and Coast Guard spending, which are not included in the Defense Ministry budget -- to be \$8.1 billion, based on an exchange rate of \$1=1.5 million Turkish Lira, representing 8.3 percent of the national budget and 3.4 percent of GNP, approximately the same percentages as last year. The \$1.9 billion increase in defense spending over 2002 is partly attributable to a stronger lira. Approximately 25 percent of the defense budget is allocated for personnel expenditures. If the Defense Industry Support Fund -- an off-budget item that is not made public -- were included, total 2003 defense spending is reportedly on the order of 4.5 percent of GNP, or about \$10.7 billion.

¶4. (U) Turkey's eight-month leadership of ISAF ended in mid February 2003, although Turkey continues to contribute 139 troops to ISAF, and in December offered three Blackhawk helicopters that help NATO fulfill its ISAF statement of requirements. Turkey has offered 750 troops, six fighter aircraft and one frigate to the new NATO Response Force.

¶5. (SBU) In this fiscal environment, the Turkish military has continued its indefinite postponement of a number of projects, including 20 utility/heavy-lift helicopters and the Turkish main battle tank program, which was planned to

replace Turkey's legacy tank fleet. TGS continues to focus on upgrading its M-60 fleet and has awarded the modernization contract to the Israeli IMI consortium. The Turkish Attack and Reconnaissance Helicopter (ATAK) direct commercial sale (DCS) project is still in the contract negotiating phase. Although US Bell-Textron was selected as the primary candidate for the project, the negotiations continued at year's end. The GOT continued to "negotiate" with the secondary contractor (the "Kamov" Israeli/Russian Defense Industry consortium) in 2003. The Airborne Early Warning and Control (AEW&C) DCS project was finalized and became effective in June. The GOT continues to evaluate contractor proposals to procure eight strategic unmanned aerial vehicles (UAV) but is expected to defer announcing down selection or awarding the UAV contract.

16. (U) On July 11, 2002 Turkey and the US signed a \$175 million Memorandum of Understanding for Turkish partnership in the Joint Strike Fighter (JSF) Systems Development and Demonstration (SDD) Phase. As the most highly invested Level III partner, Turkey will participate with the United Kingdom, Italy, Netherlands, Canada, Denmark, and Norway. Over the next 10 years of the SDD phase, Turkey's investment will enable it to share in the technological exchange that marks this program as the largest investment in research and development that Turkey has made to date.

17. (U) Throughout the reporting period, the GOT continued its support of UN and NATO humanitarian and peacekeeping efforts. Turkey has been a strong supporter of NATO enlargement, PfP, the Mediterranean Dialogue and Berlin Plus.

18. (SBU) Ankara continues to place emphasis on stability in the Caucasus and Central Asia. At the November 17 US-Turkey Caucasus Working Group meeting the GOT and USG agreed to several concrete programs of cooperation in Georgia and Azerbaijan that should increase military capacity in those countries and encourage security independence and a western orientation.

19. (SBU) Turkey's contributions to the war on terrorism have been substantial. Its strategic location and distinction as the only Muslim NATO ally have further demonstrated Turkey's importance to the US and NATO. Turkey has participated actively in GWOT. In doing so, Muslim Turkey has supported our message that GWOT is not a war on Islam.

110. (U) In Afghanistan, in addition to playing a lead role in ISAF, Turkey provided two aerial refueling tankers in support of Operation Enduring Freedom (OEF)-related missions in 2003, allowed coalition forces to use Turkish facilities to base US tankers and to transport humanitarian and other non-lethal support to Afghanistan. Turkey continues to streamline customs procedures for equipment used for OEF, granted blanket permission for US OEF aircraft to operate in Turkish airspace and granted permission for USAF tankers to fly out of Incirlik to support regional air refueling operations.

111. (U) Turkey continued to play a major role in Operation Northern Watch (ONW), which was mandated to enforce the no-fly zone over northern Iraq until the mission ended with the beginning of Operation Iraqi Freedom (OIF). Despite repeated Iraqi threats of retaliation against Turkey and significant lost trade, the GOT supported ONW. In the face of overwhelming public and parliamentary opposition to OIF, the GOT permitted overflight of combat aircraft for the operation. Turkey has also facilitated the use of a resupply route through Turkey to supply coalition forces in Iraq with humanitarian, food and fuel products for Iraq. In October 2003, the Turkish Parliament voted to allow Turkish troops to be deployed to Iraq in support of the Iraq stabilization force. In consultation with the US, Turkey decided to withdraw its offer of troops for the time being. The GOT pledged \$50 million for Iraqi reconstruction at the Madrid Donors conference and has offered to train Iraqi police using Turkish trainers.

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Direct Cost-Sharing
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112. (U) In accordance with current bilateral agreements, the USG has not sought a direct GOT contribution toward the costs associated with the stationing of US forces in Turkey. However, the US Office of Defense Cooperation in Ankara and its support facilities operate on Turkish military bases and enjoy Turkish military security. In addition, Turkey increases its security presence at US facilities when the terrorist threat is perceived to be increased.

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Indirect Cost-Sharing
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¶13. (U) US military aircraft do not pay landing fees in Turkey to land at Turkish military airfields (estimated value: USD 2 million) but do pay to land at commercial airfields.

¶14. (U) Indirect cost-sharing in the form of foregone rent of GOT-owned land and facilities used at no cost by the USG is calculated as follows:

OFFICE OF DEFENSE COOPERATION, ANKARA

-- Land (11,120 sq m of land valued at \$14.90/sq m, based on prevailing fair market value of land in that district and adjusted for inflation of 14.88%) = \$190,309;

-- Prevailing fair market value of headquarters building (5,500 sq m), motor pool and shop (620 sq m), and parking lot (5,000 sq m) adjusted for inflation is \$131,589/year.

US-UTILIZED LAND AT INCIRLIK AIR BASE (all buildings and facilities are built and paid for by the USG):

-- 13,477,700 sq m at the fair market value of \$6.47/sq m = \$87.201 million annually.

Total Foregone Rent of GOT-owned land/facilities = \$87.5 million per year.

¶15. (U) Forgone Tax/Customs revenue:

American military activities and personnel assigned to Turkey are exempt from all income, corporate, stamp taxes and customs duties. The estimated forgone revenue is calculated as follows:

-- Turkey-wide PX/Commissary sales, valued at over \$25.9 million annually, at an average VAT rate of 22 percent is estimated to be \$5.7 million annually;

--Forgone customs duties on personal property, personal vehicles, supply equipment, weapons and munitions, military vehicles, and local purchases at an average rate of 18 percent is estimated to be in excess of \$6.1 million annually.

Total Foregone Tax/Customs = \$11.8 million per year

¶16. (U) TOTAL INDIRECT COST SHARING = \$101.32 million per year

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Grant Aid, Peacekeeping, Humanitarian Assistance, Current Contingency Operations, Counterproliferation, and Nuclear Threat Reduction
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¶17. (U) Because of its cultural, historic, and even familial ties to the Balkans, Turkey continues to be a supporter of a robust Western presence in the former Yugoslavia. Turkey is an active participant in all NATO operations and supports KFOR with a mechanized infantry battalion task force of approximately 407 personnel. It has supported SFOR since 1996, currently with about 364 people in a mechanized battalion task force, with one company of the task force assigned to the security of SFOR headquarters. Turkey has offered 750 troops, six fighter aircraft and one frigate to the new NATO Response Force. Turkey has also assigned one frigate, three F-16 fighters, and one minesweeping vessel that can be provided upon request for support of SFOR and/or KFOR. Turkey supports ISAF in Afghanistan with 139 troops. In addition to its NATO commitments, Turkey has committed up to five thousand troops to the EU's rapid reaction pool, including one mechanized brigade, one F-16 squadron, two C-130 or C-160 transport aircraft, two frigates, one submarine, one support vessel, and one amphibious ship.

¶18. (U) Turkey's contributions to UN Peacekeeping Operations as of December 2003 are:

MONUC (Congo)	11 civilian police officers
UNAMSIL (Sierra Leone)	5 civilian police officers
UNMIK (Kosovo)	119 civilian police officers
UNMISSET (East Timor) officers	2 military observers, 20 civ police
UNOMIG (Georgia)	5 military observers
UNAMA (Afghanistan)	1 civilian police officer
UNMIL (Liberia)	3 civilian police officers

¶19. (U) On the humanitarian front, Afghan reconstruction projects completed with Turkish assistance by the end of 2003 total \$5.4 million, fulfilling in two years, Turkey's five-year pledge. Turkey hopes to commit an additional \$5 million over the next three years. Turkey has focused its reconstruction efforts in four areas: healthcare, training, agriculture and gender issues projects, such as those that address women's and children's issues.

¶20. (U) To pursue its goals of stability and westernization in the region, Turkey provides military equipment, education and training to personnel from Central Asia and the Caucasus. In Georgia, it has contributed \$33 million in equipment and \$14 million in training and training facilities in the past four years. Some 30 Turkish military advisors in Georgia have trained more than 400 Georgian special forces and border guards. In Azerbaijan, Turkey has provided some \$131 million in equipment and \$90.65 million in training and training facilities. In Kazakhstan, Turkey has planned to provide some \$4.8 between 1998-2003, but so far has spent \$550k. TGS coordinates with the US its assistance to the Caucasus and Kazakhstan through the OSD-led Caucasus working group. In 2003 Turkey provided training/education at various Turkish military institutions to 1200 guest military personnel from some 30 countries. It has bilateral military training, technical and scientific cooperation agreements with almost 60 countries.

¶21. (U) Turkey has actively supported the US in pursuing the adaptation of NATO to a post-Cold War world. Its commitment to the Partnership for Peace is evident in its Ankara PfP Training Center, which has trained more than 3600 students from 49 NATO, PfP and Mediterranean Dialogue countries in courses ranging from "Peacekeeping Operations Management" to "Refugee Relief." The GOT budget to support participants in the PfP training center is approximately \$150,000 per year.

¶22. (U) Turkey has launched a number of groundbreaking regional cooperation mechanisms in southeastern Europe. It continues to be an active participant in the South-East European Cooperation Process (SEECOP) and the numerous initiatives that have emanated from it, including the South Eastern Europe Brigade (SEEBRIG), an integrated infantry brigade composed of units from Albania, Bulgaria, FYROM, Greece, Italy, Romania, and Turkey, with the US and Slovenia acting as observers. Turkey contributes a mechanized infantry battalion, a reconnaissance company, an artillery battery and some supporting units to SEEBRIG. In 1997-8, Turkey conceived and nurtured the Multinational Peacekeeping Force--Southeast Europe (MPFSEE), which operates the on-call SEEBRIG. It was activated in 1999 under a Turkish commander. In 2001, the GOT successfully brought together Russia, Ukraine, Romania, and Bulgaria to establish the BLACKSEAFOR, an on-call force comprising naval units of the Black Sea littoral states.

¶23. (U) Turkey is a vigorous supporter of regional counterproliferation cooperation. It is a member of every major arms control and counterproliferation regime, including NPT (1969), BWC, (1974), Wassenaar (1996), MTCR (1997), CWC (1997), CTBT (1999), NSG (2000), Australia Group (2000) and the Ottawa Convention (2003). Since 1999, the GOT has undertaken the responsibility for the operation and maintenance of the Belbasi Seismic Monitoring Station, an important data source for the worldwide comprehensive test ban treaty (CTBT) nuclear test-monitoring network.

¶24. (U) Since February 1999, TGS and the US Missile Defense Agency have been cooperating on a joint missile defense architectural study in anticipation of a developing tactical ballistic missile threat against Turkey and its NATO Allies. Turkey has consistently supported US objectives for pursuing missile defense for the Alliance.

Point of Contact

¶25. (U) Point-of-contact for this report is Pamela Tremont,

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